5-18-87 B3500-1

ECONOMIC INDICATORS

ANNUAL SUPPLEMENT

Hawaii in 1986: A Year-End Summary of Hawaii's Economic Indicators and Outlook for 1987

OVERALL TRENDS

The Hawaiian economy achieved a remarkable year of solid and balanced growth in 1986 after a relatively flat year in 1985. The major leaders in Hawaii's strong economic performance in 1986 were the visitor and construction industries. While prospects for continued growth in 1987 continue to be favorable, the ultimate result will depend heavily on economic conditions in the visitor industry's major market areas, including Japan and Canada, as well as movements in interest rates. Overall rates of growth in the various sectors of the Hawaiian economy in 1987 are expected to be positive, although lower than in 1986.

The strength of Hawaii's economic performance in 1986 was most evident in the volume of taxable transactions, which measure the degree of business activity in the economy, and grew by 7 percent to $26.3 billion in 1986. Given the relatively modest increase in the Honolulu Consumer Price Index of 2 percent, real growth in business activity, corrected for inflation, expanded by 5 percent in 1986. This was a noticeable improvement over the flat rate of growth experienced in 1985.

Hawaii's strong economic expansion in 1986 was also evident in income and employment statistics. As of the third quarter of 1986, total personal income grew by 6 percent. Adjusted for a 2-percent rate of inflation, personal income expanded by 4 percent, compared to 2 percent during the same period in 1985. The total number of jobs in the state grew by a healthy 4 percent, the highest rate of increase since 1979. Meanwhile, both the overall civilian labor force and the number of people employed in the labor force, grew by 3 percent, respectively, in 1986, the largest rate of expansion since 1980. As a result, the unemployment rate plunged to 5 percent, the lowest it has been since 1980. State tax revenues also grew by 12 percent in 1986, the largest increase since 1979.

Overall, the Hawaiian economy is returning to the high rates of growth of the late 1970s. From the point of view of gross state product (GSP), a measure of the aggregate sum of goods and services produced in Hawaii, the Hawaiian economy has been continuously growing since the recession years of 1981 and 1982. Estimates of GSP, adjusted for inflation, show that, including all expenditures on personal consumption, investment, government purchases of goods and services, and net exports, the Hawaiian economy expanded by 3 percent in 1986. That continued a trend of four years of positive growth beginning in 1983 after two years of decline during the recession of 1981 and 1982. In current dollars, Hawaii's GSP stood at $17.5 billion in 1986.

THE VISITOR INDUSTRY

The strongest contributor to Hawaii's growth in 1986 was the visitor industry. A total of 5.6 million overnight-and-longer visitors came to Hawaii in 1986. That represented a 14-percent rate of growth, and was the largest expansion in the industry since 1972. Westbound travelers, making up for postponed trips in 1985, and influenced by European terrorism and the fall in the value of the dollar, which increased the price of foreign trips, rose to an all-time high of 4.2 million, an increase of 15 percent. Eastbound travelers, also influenced by the fall in the value of the dollar, grew to another all-time high of 1.3 million, expanding by 14 percent.

Most visitor-industry statistics reflected growth and expansion. Hotel occupancy rates hit an all-time high of 82 percent even though the number of hotel units statewide increased by 389 units to a total of 66,308 units. The average daily visitor census increased by 14 percent. This reflected the greater number of visitors coming to Hawaii, as average lengths of stay dropped 1 percent.

Economic conditions will determine how well the visitor industry performs in 1987. Westbound visitor growth rates, will most likely slow due to expected sluggish growth in the national economy, particularly in major market areas, including southern California, Chicago, and the Dallas/Fort Worth area.

The Japanese visitor market, although encouraged by the fall in the value of the dollar, will be affected by a slowdown in its economy, as exports to the United States decline. Canada, which depends heavily on trade with the U.S., will also be adversely affected. These are principal sources of visitors to Hawaii.

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Tax reform will have mixed benefits for tourism. Despite lower tax rates, higher-income taxpayers will pay more taxes due to the loss of many personal deductions. Tax reform will also phase out interest deductions on credit-card purchases by visitors, as well as deductions for business-related travel. The impact of tax reform on some businesses is also unclear. The loss of investment tax credits by capital-intensive businesses could result in higher prices to visitors. International oil prices have already begun to increase, as well as some airfares.

Terrorism may be expected to become less of a factor as major European and Mexican destinations aggressively move to recover their share of American visitors in 1987. However, the strengthening of European currencies against the U.S. dollar could discourage Americans from traveling to Europe, and make Hawaii more attractive as an alternate destination.

Given these conditions, the result may well be a reduction from the high double-digit growth experienced in 1986. The annual visitor growth rate for 1987 is anticipated to be in the 4- to 8-percent range.

CONSTRUCTION AND REAL ESTATE

The construction and real estate industries were the other two areas of strength in Hawaii's economy in 1986. The sharp decline in interest rates provided a strong boost to Hawaii's construction industry, particularly after a negative strike-ridden year in 1985. By the end of 1986, the total value of construction-put-in-place rose to $1.8 billion. That represented a growth rate of 27 percent. Adjusted for inflation, the construction industry experienced a real rate of growth of 24 percent in 1986, the largest increase since 1970. Public construction was also very active. Dominated by state government construction projects, the total value of public contracts awarded rose to $422 million in 1986, an increase of 70 percent over 1985. However, building permits, which are an indicator of future construction trends, declined. The total value of residential permits authorized statewide fell to $549 million in 1986, representing a decrease of 3 percent over 1985. Most of the weakness was in single-family units, as multiple-family units, and nonresidential permits exceeded 1985 levels. Income earned by construction-industry workers increased by 22 percent as of the third quarter of 1986.

Hawaii's real estate industry, which is also sensitive to interest rates, expanded in 1986. Resales of single-family homes increased by 27 percent to 3,611 units,

U.S. ECONOMIC INDICATORS

Series	Unit	Period	1986	1985	Percent Change 1985-86
GROSS NATIONAL PRODUCT**					
In Current Dollars	bil. $	quarterly ave.	4,207	3,987	5.5
In 1982 Dollars	bil. $	quarterly ave.	3,676	3,576	2.8
PERSONAL INCOME**	bil. $	monthly ave.	3,487	3,315	5.2
INTEREST RATES					
AVERAGE PRIME RATE	percent	monthly ave.	8.33	9.93	−16.1
CONSTRUCTION					
CONSTRUCTION PUT IN PLACE**	bil. $	monthly ave.	376.9	355.6	6.0
CONSTRUCTION COST INDEXES					
Residences	1967 = 100	monthly ave.	374.8	367.7	1.2
Apts, Hotel, Office Bldgs.	1967 = 100	monthly ave.	372.1	366.2	2.3
EMPLOYMENT					
CIVILIAN EMPLOYMENT*	thous.	monthly ave.	109,597	107,150	2.3
UNEMPLOYMENT*	thous.	monthly ave.	8,237	8,312	−0.9
UNEMPLOYMENT RATE*	percent	monthly ave.	6.9	7.2	−4.2
PRICES					
CONSUMER PRICE INDEXES					
Wage Earners and Clerical Workers	1967 = 100	monthly ave.	323.4	318.5	1.5
All Urban Consumers	1967 = 100	monthly ave.	328.4	322.2	1.9
PRODUCER PRICE INDEXES					
Finished Goods*	1967 = 100	monthly ave.	289.6p	293.8	−1.4
All Commodities	1967 = 100	monthly ave.	299.9p	308.8	−2.9

p = preliminary. *Seasonally adjusted. **Seasonally adjusted at annual rates.

BUSINESS ACTIVITY IN HAWAII

GROSS STATE PRODUCT*	mil. $	annual total	17,529.7	16,678.9	5.1
BUSINESS SALES					
GROSS BUSINESS RECEIPTS					
STATE	mil. $	annual total	26,335.2	24,630.3	6.9
Oahu	mil. $	annual total	22,110.9	20,742.1	6.6
Maui County	mil. $	annual total	1,842.6	1,694.7	8.7
Hawaii	mil. $	annual total	1,642.4	1,594.5	3.0
Kauai	mil. $	annual total	739.2	599.0	23.4
DIVERSIFIED MANUFACTURING	mil. $	annual total	565.4	538.3	5.0
DIVERSIFIED AGRICULTURE	mil. $	annual total	258.8	251.6	2.9
RETAILING	mil. $	annual total	9,485.2	8,957.3	5.9
WHOLESALING	mil. $	annual total	6,391.5	6,056.5	5.5
SERVICES	mil. $	annual total	6,373.3	5,898.7	8.0
OAHU NEW CAR SALES	number	annual total	37,499p	41,434	−9.5
HONOLULU PRICES					
HONOLULU CONSUMER PRICE INDEX					
Wage Earners and Clerical Workers	1967 = 100	monthly ave.	308.2	301.4	2.3
All Urban Consumers	1967 = 100	monthly ave.	301.1	294.1	2.4
TOURISM					
VISITOR EXPENDITURES	mil. $	annual total	na	4,900,000	.....
OVERNIGHT OR LONGER VISITORS	number	annual total	5,589,280p	4,884,110	14.4
Westbound	number	annual total	4,250,910p	3,708,610	14.6
Eastbound	number	annual total	1,338,370p	1,175,500	13.9
AVERAGE DAILY VISITOR CENSUS	number	monthly ave.	117,903p	103,820	13.6
AVERAGE LENGTH OF STAY	no. of days	monthly ave.	10.1p	10.2	−1.0
MEETING ATTENDANCE	number	annual total	251,371	247,166	1.7
ORGANIZED GROUP TOURS	number	annual total	844,410p	837,570	0.8
VISITOR COUNT BY COUNTY*					
Oahu	number	annual total	3,137,490p	2,828,640	10.9
Maui County	number	annual total	1,998,800p	1,831,060	9.2
Hawaii	number	annual total	787,610p	697,380	12.9
Kauai	number	annual total	1,016,420p	835,580	21.6

p = preliminary. *Estimated. *Estimated Westbound.

BUSINESS ACTIVITY IN HAWAII (cont.)

Series	Unit	Period	1986	1985	Percent Change 1985-86
VISITOR ACCOMMODATIONS					
STATE	number	February	66,308	65,919	0.6
Oahu	number	February	39,010	38,600	1.1
Waikiki	number	February	34,650	33,879	2.3
Maui (Island)	number	February	13,451	13,515	−0.5
Molokai	number	February	635	627	1.3
Lanai	number	February	10	10	0.0
Hawaii	number	February	7,280	7,511	−3.1
Kauai	number	February	5,922	5,656	4.7
HOTEL OCCUPANCY					
STATE	percent	monthly ave.	81.7p	76.1	7.4
Oahu	percent	monthly ave.	85.4p	81.5	4.8
Maui (Island)	percent	monthly ave.	81.5p	78.5	3.8
Hawaii	percent	monthly ave.	62.9p	57.6	9.2
Kauai	percent	monthly ave.	77.6p	64.8	19.8
DEFENSE EXPENDITURES					
APPROPRIATED FUNDS TOTAL	mil. $	annual total	1,871.9	2,054.6	−8.9
Military Payroll	mil. $	annual total	832.6	849.4	−2.0
Civilian Payroll	mil. $	annual total	618.6	627.5	−1.4
Local Purchases	mil. $	annual total	420.8	577.7	−27.2
SUGAR					
VALUE OF CROP SALES					
(UNPROCESSED CANE)	thous. $	annual total	na	222.4	.....
SUGAR PRODUCTION	thous. tons	annual total	1,042.5	1,012.2	3.0
N. Y. RAW SUGAR PRICE	$/ton	monthly ave.	417.2p	407.8	2.3
PINEAPPLE					
VALUE OF CROP SALES					
(FRESH EQUIVALENT)	mil. $	annual total	241.4	222.5	8.5
FRESH SHIPMENTS	thous. lbs.	annual total	238,362	246,857	−3.4
DIVERSIFIED AGRICULTURE					
CROPS	thous. $	annual total	na	132,126	.....
FLOWERS & NURSERY PRODUCTS	thous. $	annual total	na	44,247	.....
Anthurium Outshipments[1]	th. dozens	annual total	1,831	1,611	13.6
Potted Foliage Plants	thous. $	annual total	na	12,019	.....
FRUITS & NUTS	thous. $	annual total	na	43,244	.....
Papaya Sales	th. lbs.	annual total	49,585	49,250	0.7
Average Farm Price	cents/lb.	monthly ave.	20.1	18.2	10.4
Macadamia Nut Sales (in shell)	th. lbs.	annual total	44,000	42,000	4.8
Average Farm Price	cents/lb.	monthly ave.	80.0	72.5	10.3
VEGETABLES AND MELONS[4]	th. lbs.	annual total	67,067p	66,306	1.1
LIVESTOCK	thous. $	annual total	na	87,025	.....
BEEF PRODUCTION (Dressed Wt.)	th. lbs.	annual total	33,092	33,519	−1.3
Average Farm Price (Feedlot Beef)	cents/lb.	monthly ave.	81.5	83.5	−2.4
HOG PRODUCTION (Dressed Wt.)	th. lbs.	annual total	6,543	6,258	4.6
Average Farm Price	cents/lb.	monthly ave.	104.0	103.5	0.5
MILK PRODUCTION	mil. lbs.	annual total	155.7	142.0	9.6
Average Price Sold to Plants	$/100 lbs.	monthly ave.	20.01	20.29	−1.4
EGG PRODUCTION	mil.	annual total	226.6	220.9	2.6
Average Farm Price	cents/doz.	monthly ave.	78.3	75.3	4.0
PUBLIC UTILITIES					
ELECTRICITY GENERATED	mil. kwh.	annual total	7,476	7,057	5.9
GAS SALES	th. therms.	annual total	48,096	48,327	−0.5
TELEPHONE LINES IN SERVICE	thous.	end of period	478.2	465.0	2.8
CONSTRUCTION PUT IN PLACE					
STATE	thous. $	annual total	1,809,983	1,429,598	26.6
Oahu	thous. $	annual total	1,585,669	1,244,750	27.4
Maui County	thous. $	annual total	92,586	73,527	25.9
Hawaii	thous. $	annual total	95,769	81,102	18.1
Kauai	thous. $	annual total	35,959	30,219	19.0
HONOLULU CONSTRUCTION COST INDEXES					
SINGLE FAMILY	1967 = 100	monthly ave.	369.9	357.6	3.4
HIGH RISE	1967 = 100	monthly ave.	385.9	375.2	2.8

p = preliminary.
[1]Estimated Westbounds.
[2]Gross taxable income valued at time of shipment.
[3]From Hawaii County.
[4]Includes snap beans, cabbage, celery, sweet corn, cucumbers, lettuce, onions, tomatoes, and watermelons.

while condominium resales advanced by 32 percent to 4,389 units. Meanwhile, prices in both categories saw a respective 10- and 9-percent increase, giving further evidence of a gradual tightening in the supply of housing units throughout the state. For the entire year, the total value of real-estate resales, statewide, stood at $1.2 billion.

The prospects for construction and real estate continue to look good in 1987. Given a scenario of moderate expansion in the national economy, interest rates should remain at levels conducive to continued investment in residential and nonresidential construction. The one potentially adverse factor in 1987 is tax reform, although it should not have an effect on foreign investment in real estate. Deletion of the investment tax credit, lengthening of depreciation schedules, and the elimination of tax shelters could affect investment in nonresidential construction. The elimination of preferential tax rates on capital gains and tax shelters, including the ability to take unlimited passive losses on real estate investments, will particularly affect real estate markets. Thus, growth in the construction industry statewide will probably fall back into the 5- to 10-percent range: the same can be said for real estate.

MILITARY EXPENDITURES

The one sector that remained weak in 1986 was military expenditures, principally because of federal budget cutbacks. Total appropriated military funds stood at $1.9 billion for 1986. That represented a decline of 9 percent. Adjusted for inflation, growth in military appropriations stood at −11 percent, and continued the past three-year trend of flat to negative growth.

Adjusted for inflation, military payrolls were down 4 percent, civilian payrolls declined 3 percent, and local purchases of goods and services fell 29 percent. Job counts in defense-department related occupations declined 2 percent from 20,800 to 20,400 jobs. The actual number of military personnel stationed in Hawaii remained static at 58,584 persons, while the number of civilian military dependents saw a small 3-percent expansion to 66,210 persons.

Given the status of federal deficit-reduction measures, the probability of increased defense expenditures does not appear likely, and the prospects are for flat growth in real terms for 1987.

SUGAR

After a two-year decline in revenues, the sugar industry enjoyed a positive turnaround in 1986. Efforts to increase

productivity and yields resulted in record sugar yields of 12.5 tons per acre in 1986 due to: more extensive use of drip irrigation (now in use in 80 percent of the sugar fields); introduction of new and more productive cane varieties; and efforts to reduce sugar losses in harvesting, transportation, and processing operations. Raw sugar production reached 1,042,400 tons in 1986, a 3-percent increase over 1985. But, most importantly, sugar prices increased over the year. The New York Raw Sugar Price increased by 2 percent to $417 per ton, and revenues to the industry came to $377 million, representing a strong 5-percent increase.

In addition, molasses production increased by 30 percent to 295,400 tons. This reversed the 28-percent decline in molasses output experienced in 1985. Surplus electricity generated by the plantation mills also increased by 30 percent to 433 million kilowatt hours. As a result, revenues from raw sugar production rose by 4 percent to $346 million, molasses revenues increased by 49 percent to $14 million, and electricity revenues grew by 2 percent to $17 million. Continuing cost-cutting measures, however, resulted in a decline in employment of 3 percent to 7,300 workers.

The outlook for 1987 appears optimistic. The only potential cloud is the Reagan Administration attempt to reduce price support levels. Sugar industry officials believe that there is strong opposition in Congress against such legislation, and that the proposed bill will be defeated.

Capital improvements in drip irrigation, more productive cane varieties, and cost reductions in processing and labor costs have resulted in Hawaii being one of the most productive sugar producers in the world. The newly announced 12-month, 1-million ton foreign sugar import quota was good news for Hawaii. The reduced quota will halt the slide in sugar prices, and should stabilize the value of sugar output. Assuming further increases in productivity, no offsetting decreases in acreage planted, and stable prices, the industry should see healthy increases in production and revenues in 1987.

PINEAPPLE

The pineapple industry experienced a year of healthy growth, due to improved weather, after a dip in 1985. Total pineapple production, including processed and fresh fruit, increased a strong 14 percent from 565,000 tons to 646,000 tons in 1986. Processed fruit production saw a strong increase of 16 percent from 441,000 tons to 514,000 tons in 1986.

BUSINESS ACTIVITY IN HAWAII (cont.)

Series	Unit	Period	1986	1985	Percent Change 1985-86
PRIVATE PERMITS AUTHORIZED					
STATE:					
RESIDENTIAL	thous. $	annual total	548,837	566,033	−3.0
Single Family Units	number	annual total	4,534	4,741	−4.4
Multiple Family Units	number	annual total	2,645	2,556	3.5
NONRESIDENTIAL	thous. $	annual total	473,587	323,256	46.5
OAHU:					
RESIDENTIAL	thous. $	annual total	332,934	289,508	15.0
Single Family Units	number	annual total	2,061	2,324	−11.3
Multiple Family Units	number	annual total	2,098	1,856	13.0
NONRESIDENTIAL	thous. $	annual total	200,584	225,323	−11.0
MAUI CO.:					
RESIDENTIAL	thous. $	annual total	104,749	145,915	−28.2
Single Family Units	number	annual total	911	984	−7.4
Multiple Family Units	number	annual total	506	457	10.7
NONRESIDENTIAL	thous. $	annual total	48,298	32,718	47.6
HAWAII:					
RESIDENTIAL	thous. $	annual total	69,106	83,554	−17.3
Single Family Units	number	annual total	1,126	980	14.9
Multiple Family Units	number	annual total	39	192	−79.7
NONRESIDENTIAL	thous. $	annual total	162,395	37,885	328.7
KAUAI:					
RESIDENTIAL	thous. $	annual total	42,046	47,050	−10.6
Single Family Units	number	annual total	436	453	−3.8
Multiple Family Units	number	annual total	2	51	−96.1
NONRESIDENTIAL	thous. $	annual total	51,429	16,838	205.4
PUBLIC CONTRACTS AWARDED					
TOTAL GOVERNMENT PROJECTS:					
STATE	thous. $	annual total	422,740	248,872	69.9
Oahu	thous. $	annual total	312,404	177,243	76.3
Maui County	thous. $	annual total	58,738	37,766	55.5
Hawaii	thous. $	annual total	37,717	18,520	103.7
Kauai	thous. $	annual total	13,065	15,346	−14.9
BY LEVEL OF GOVERNMENT:					
Federal	thous. $	annual total	105,332	75,095	40.3
State	thous. $	annual total	206,663	94,658	118.3
County	thous. $	annual total	110,746	79,119	40.0
REAL ESTATE					
RESALES					
STATE: Single Family	number	annual total	3,611	2,837	27.3
Average Price	dollars	monthly ave.	185,945	169,576	9.7
Condominium	number	annual total	4,389	3,333	31.7
Average Price	dollars	monthly ave.	112,691	102,966	9.4
OAHU: Single Family	number	annual total	2,498	1,670	49.6
Average Price	dollars	monthly ave.	212,140	188,016	12.8
Condominium	number	annual total	3,408	2,738	24.5
Average Price	dollars	monthly ave.	107,857	99,597	−4.6
MAUI CO.: Single Family	number	annual total	386	259	49.0
Average Price	dollars	monthly ave.	174,763	151,865	15.1
Condominium	number	annual total	669	424	57.8
Average Price	dollars	monthly ave.	142,717	123,471	15.6
HAWAII: Single Family	number	annual total	565	416	35.8
Average Price	dollars	monthly ave.	101,098	93,775	7.8
Condominium	number	annual total	142	93	52.7
Average Price	dollars	monthly ave.	104,186	97,718	6.6
KAUAI: Single Family	number	annual total	162	90	80.0
Average Price	dollars	monthly ave.	140,697	146,375	−3.9
Condominium	number	annual total	170	78	117.9
Average Price	dollars	monthly ave.	101,767	115,987	−12.3

p = preliminary.

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POPULATION IN HAWAII

Series	Unit	Period	1986	1985	Percent Change 1985-86
POPULATION					
STATE:					
Total De Facto Population	thous.	July 1	1,176.7	1,152.0	2.1
Total Resident Population	thous.	July 1	1,062.3	1,053.9	0.8
OAHU:					
Total De Facto Population	thous.	July 1	na	865.1	.....
Total Resident Population	thous.	July 1	na	814.6	.....
MAUI COUNTY:					
Total De Facto Population	thous.	July 1	na	115.5	.....
Total Resident Population	thous.	July 1	na	85.3	.....
HAWAII:					
Total De Facto Population	thous.	July 1	na	115.8	.....
Total Resident Population	thous.	July 1	na	109.2	.....
KAUAI:					
Total De Facto Population	thous.	July 1	na	55.6	.....
Total Resident Population	thous.	July 1	na	44.8	.....
CIVILIAN RESIDENT POPULATION:					
STATE	thous.	July 1	1,004.2	997.5	0.7
MILITARY PERSONNEL:					
STATE	number	July 1	58,584	58,005	1.0
Ashore	number	July 1	53,616	53,848	−0.4
Afloat	number	July 1	4,968	4,157	19.5
CIVILIAN MILITARY DEPENDENTS	number	July 1	66,210	64,281	3.0
FOREIGN IMMIGRATION[1]	number	annual total	5,557	5,569	−0.2

INCOME IN HAWAII

INCOME					
TOTAL PERSONAL INCOME**	mil. $	3rd qtr. ave.	15,301p	14,424	6.1
EMPLOYMENT INCOME[2]	mil. $	3rd qtr. ave.	11,603p	10,910	6.4
Manufacturing	mil. $	3rd qtr. ave.	528p	496	6.4
Construction & Mining	mil. $	3rd qtr. ave.	814p	665	22.3
Wholesale	mil. $	3rd qtr. ave.	450p	436	3.1
Retail	mil. $	3rd qtr. ave.	1,309p	1,254	4.4
Finance, Ins., & Real Estate	mil. $	3rd qtr. ave.	851p	726	17.2
Trans., Comm., & Util.	mil. $	3rd qtr. ave.	913p	901	1.3
Services	mil. $	3rd qtr. ave.	2,867p	2,670	7.4
Farm & Other	mil. $	3rd qtr. ave.	318p	311	2.2
Federal Civilian	mil. $	3rd qtr. ave.	977p	969	0.8
Federal Military	mil. $	3rd qtr. ave.	1,350p	1,297	4.1
State & Local	mil. $	3rd qtr. ave.	1,242p	1,183	5.0
PROPERTY INCOME (Dividends, Interest, & Rent)	mil. $	3rd qtr. ave.	2,258p	2,152	4.9
TRANSFER PAYMENTS (2,204) minus Personal Contributions for Social Insurance (763)	mil. $	3rd qtr. ave.	1,441p	1,362	5.8
PER CAPITA PERSONAL INCOME:					
STATE	dollars	annual total	na	na	.....
Oahu	dollars	annual total	na	na	.....
Maui County	dollars	annual total	na	na	.....
Hawaii	dollars	annual total	na	na	.....
Kauai	dollars	annual total	na	na	.....

***Total personal income and all components are seasonally adjusted at annual rates.*
[1]Includes only those entering Honolulu ports and do not include status changes.
[2]Includes wage and salary disbursements, proprietors' income, and other labor income.

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While prices slipped slightly from $90 to $89 per ton, the value of production increased by 15 percent to $45.8 million. As a result, the total retail value of processed and fresh pineapple saw a strong 9-percent increase from $222 million to $241 million in 1986. Fresh pineapple production increased by 6 percent from 124,000 tons to 132,000 tons in 1986. Higher prices for fresh pineapples resulted in an increase in revenues of 8 percent from $50.8 million in 1985 to $54.9 million in 1986. Lower costs aided the increase in revenues from processed fruit. Another indication of the health of the industry was the 4-percent growth in 1986 employment to roughly 4,000 people. With a strengthening in the fresh pineapple market, and continuing growth in processed fruit, the industry should continue to see positive growth in 1987.

DIVERSIFIED AGRICULTURE

Diversified agricultural enterprises, as a whole, saw positive growth in 1986, growing by 3 percent from $252 to $259 million. Employment in diversified agriculture also increased 12 percent from 7,400 persons to 8,300 persons in 1986. Aggregate income rose a modest 1-percent as of the third quarter of 1986.

Macadamia Nuts

The production of macadamia nuts has been increasing steadily as new fields reach bearing age, and maturing trees increase their yield. Farm sales of macadamia nuts in shells hit an all-time record 44 million pounds in 1986, a 5-percent gain over the 1985 harvest. The average farm price for 1986 rose by 10 percent to 80 cents per pound. Given these increases in production and prices, the 1986 farm value of macadamia nuts rose by 16 percent to $35.2 million, compared to $30 million in 1985. 1986 was the best year on record for the industry.

1987 production is expected to reach another record. In 1986, bearing acreage expanded to 14,400 acres. Also, the number of macadamia nut farms increased from 610 to 645 farms, while total acreage planted in macadamia nuts reached 21,300. With such numbers, another record harvest for 1987 is assured barring a bad drought, wind damage, or a fall in prices. Macadamia nuts will continue to grow and dominate as Hawaii's premier diversified agricultural export crop.

Papayas

The papaya industry continued its comeback from 1985 setbacks due to bad weather, overproduction, and fruit processing problems. Fresh fruit production in 1986 saw a marginal increase

million pounds. However, the average price of fresh fruit saw a healthy 30-percent increase from 18 to 20 cents resulting in a strong 31-percent increase in the value of sales of fresh fruit from $8.3 to $10.9 million in 1986. Of the total amount of fresh fruit produced, 16.3 million pounds were consumed locally, 20 million pounds were exported to the Mainland, 10.1 million pounds to Japan, and 3.3 million pounds to Canada.

The outlook for papaya production is good. Increases in acreage in planting grew by a substantial 25 percent in 1986. Since the productivity of papaya trees is higher in the first year of bearing, total production of papayas is expected to increase by over 30 percent in 1987. However, problems of lumpy fruit associated with the hot-water treatment method have been much publicized. Fruit-fly infestation has been cited by west-coast markets. Development of an irradiation fruit-fly treatment facility is still being debated. It is obvious from recent events that a reliable irradiation treatment capability is absolutely crucial to the well-being, if not the survival, of the industry.

Another issue facing papaya growers in 1987 will be price stability. The large expected increase in production will threaten prices. Orderly market expansion will be necessary to keep demand growing in step with increases in production, and avoid the destructive gluts that devastated the industry in 1985. Otherwise, the industry should see strong expansion and growth in 1987.

Flowers and Nursery Products

Flowers and nursery products are not only the biggest segment of Hawaii's growing diversified agriculture industry, but are also the fastest growing segment of the industry. Flowers and nursery products generated $44.2 million worth of production in 1985, which amounted to 34 percent of the farm value of all diversified crops. This overall share of the diversified agricultural market has been increasing continuously since 1981 when it constituted 28 percent of the overall industry.

Potted plants for indoor use continue to make hefty gains in annual sales. Latest figures show sales of $12 million for 1985, up 20 percent over 1984 sales volume. Other foliage sales recorded strong gains also, with plants for landscape use up 46 percent to $1.8 million, and growing stock up 21 percent to $1.8 million.

Anthuriums, the second most valuable crop in this category, had a 4-percent gain, with 1985 sales reaching

EMPLOYMENT AND JOBS IN HAWAII

Series	Unit	Period	1986	1985	Percent Change 1985-86
EMPLOYMENT					
STATE:					
Civilian Labor Force	thous.	monthly ave.	493.8	479.1	3.1
Employment	thous.	monthly ave.	468.6	454.1	3.2
Unemployment	thous.	monthly ave.	25.0	25.0	0.0
Unemployment Rate	percent	monthly ave.	5.1	5.2	−2.1
OAHU:					
Civilian Labor Force	thous.	monthly ave.	371.3	364.1	2.0
Employment	thous.	monthly ave.	354.5	347.0	2.2
Unemployment	thous.	monthly ave.	16.8	17.1	−1.8
Unemployment Rate	percent	monthly ave.	4.5	4.7	−4.3
MAUI COUNTY:					
Civilian Labor Force	thous.	monthly ave.	47.9	45.0	6.6
Employment	thous.	monthly ave.	45.2	42.5	6.4
Unemployment	thous.	monthly ave.	2.7	2.6	3.8
Unemployment Rate	percent	monthly ave.	5.6	5.7	−1.5
HAWAII:					
Civilian Labor Force	thous.	monthly ave.	51.9	48.0	8.1
Employment	thous.	monthly ave.	47.8	44.1	8.4
Unemployment	thous.	monthly ave.	4.1	4.0	2.5
Unemployment Rate	percent	monthly ave.	7.8	8.2	−4.2
KAUAI:					
Civilian Labor Force	thous.	monthly ave.	22.8	22.0	3.6
Employment	thous.	monthly ave.	21.4	20.7	3.4
Unemployment	thous.	monthly ave.	1.5	1.4	3.6
Unemployment Rate	percent	monthly ave.	6.3	6.2	1.6
JOB COUNT BY INDUSTRY					
TOTAL JOBS—STATE	thous.	monthly ave.	479.8	461.4	4.0
SUGAR (Mill and Field)	thous.	monthly ave.	7.3	7.6	−3.3
PINEAPPLE (Cannery and Field)	thous.	monthly ave.	4.0	3.9	3.7
DIVERSIFIED MANUFACTURING (Excluding Sugar and Pineapple)	thous.	monthly ave.	16.6	15.9	4.4
Durable Goods	thous.	monthly ave.	3.5	3.1	11.5
Non-Durable Goods	thous.	monthly ave.	13.1	12.7	2.8
Apparel and Textiles	thous.	monthly ave.	3.4	3.1	11.5
DIVERSIFIED AGRICULTURE (Excluding Sugar And Pineapple, but including Agricultural Self-Employed)	thous.	monthly ave.	8.3	7.4	12.2
CONTRACT CONSTRUCTION	thous.	monthly ave.	17.9	18.1	−1.1
TRANSPORTATION	thous.	monthly ave.	24.5	22.8	7.5
COMMUNICATION	thous.	monthly ave.	7.1	7.4	−3.4
UTILITIES	thous.	monthly ave.	2.5	2.4	2.0
RETAIL TRADE	thous.	monthly ave.	98.1	94.2	4.1
WHOLESALE TRADE	thous.	monthly ave.	19.6	19.1	2.9
FINANCE, INSURANCE AND REAL ESTATE	thous.	monthly ave.	32.6	32.2	1.2
HOTEL SERVICES—STATE	thous.	monthly ave.	28.0	28.7	−2.3
Oahu	thous.	monthly ave.	16.3	16.1	1.2
Maui County	thous.	monthly ave.	6.1	6.6	−7.6
Hawaii	thous.	monthly ave.	3.5	3.8	−9.2
Kauai	thous.	monthly ave.	2.2	2.3	−4.3
OTHER SERVICES	thous.	monthly ave.	85.6	81.4	5.1
FEDERAL GOVERNMENT	thous.	monthly ave.	32.1	32.5	−1.2
Civilian Agencies	thous.	monthly ave.	11.8	11.8	0.0
Defense Department	thous.	monthly ave.	20.4	20.8	−1.7
STATE GOVERNMENT	thous.	monthly ave.	48.6	47.4	2.5
COUNTY GOVERNMENT	thous.	monthly ave.	13.2	13.5	−2.6
NON-AGRICULTURE SELF-EMPLOYED	thous.	monthly ave.	33.9	27.1	25.1
UNEMPLOYMENT INSURANCE					
INSURED UNEMPLOYMENT (Weekly Average)	number	monthly ave.	8,928	10,597	−15.7
INTRASTATE INITIAL CLAIMS	number	annual total	59,975	66,913	−10.4
INTERSTATE INITIAL CLAIMS	number	annual total	3,983	4,040	−1.4
UNEMPLOYMENT INSURANCE BENEFITS	thous. $	annual total	56,149	64,617	−13.1

p = preliminary

PUBLIC ASSISTANCE IN HAWAII

Series	Unit	Period	1986	1985	Percent Change 1985-86
PUBLIC ASSISTANCE					
INCOME MAINTENANCE:					
Recipients[1]	no./persons	monthly ave.	53,986	58,497	−7.7
Payments	thous. $	annual total	91,099	97,465	−6.5
MEDICAL ASSISTANCE:					
Recipients[1]	no./patients	monthly ave.	48,207	47,819	0.8
Payments	thous. $	annual total	162,593	168,850	−3.7
FOOD STAMPS:					
Recipients[1]	no./persons	monthly ave.	90,434	97,261	−7.0
Payments	thous. $	annual total	88,408	92,274	−4.2
SERVICES:					
Recipients[1]	no./cases	quarterly ave.	7,919	7,483	5.8
Payments	thous. $	annual total	17,991	15,535	15.8

[1]Count of recipients is duplicated. A person may be counted in each category.

BANKING AND FINANCE IN HAWAII

FINANCE					
COMMERCIAL BANK DEPOSITS:					
STATE:					
Total Deposits	mil. $	monthly ave.	7,800.5	6,930.8	12.5
Debits To Demand Deposits	mil. $	annual total	110,882.1	95,843.4	15.7
OAHU:					
Total Deposits	mil. $	monthly ave.	6,486.1	5,738.9	13.0
Debits To Demand Deposits	mil. $	annual total	99,636.9	87,246.0	14.2
MAUI COUNTY:					
Total Deposits	mil. $	monthly ave.	500.4	450.0	11.2
Debits To Demand Deposits	mil. $	annual total	4,336.1	3,681.4	17.8
HAWAII:					
Total Deposits	mil. $	monthly ave.	554.0	498.7	11.1
Debits To Demand Deposits	mil. $	annual total	3,948.6	3,502.4	12.7
KAUAI:					
Total Deposits	mil. $	monthly ave.	260.0	243.3	6.9
Debits To Demand Deposits	mil. $	annual total	1,796.6	1,440.6	24.7
BANK LOANS OUTSTANDING—STATE:	mil. $	quarterly ave.	4,791.1	4,437.7	8.0
Real Estate	mil. $	quarterly ave.	1,971.3	1,788.2	10.2
Consumer	mil. $	quarterly ave.	1,289.9	1,008.0	28.0
Commercial & Industrial	mil. $	quarterly ave.	1,377.0	1,307.6	5.3
Other	mil. $	quarterly ave.	340.2	333.9	1.9
CONVENTIONAL HOME MORTGAGE RATES:					
HONOLULU	1 percent	monthly ave.	10.0	12.0	−16.7
SAVINGS & LOAN ASSOCIATIONS:[2]					
TOTAL DEPOSITS	mil. $	monthly ave.	3,538.3	3,678.3	−3.8
TOTAL LOANS	mil. $	monthly ave.	109,543.0	na	.....
MORTGAGE LOANS	mil. $	monthly ave.	95.5	55.1	73.3
TAX COLLECTIONS:[3]					
STATE	mil. $	annual total	1,658.5	1,479.0	12.1
Oahu	mil. $	annual total	1,421.7	1,283.0	10.8
Maui County	mil. $	annual total	101.4	82.9	22.3
Hawaii	mil. $	annual total	92.1	79.3	16.1
Kauai	mil. $	annual total	43.4	33.8	28.4

[1]1985 based on 11 months data. 1984 based on 10 months data.
[2]Includes data for both Hawaii and Guam. Reporting categories changed in July, 1985.
[3]Taxes collected by the State Department of Taxation. Excludes property taxes which were formerly collected by the State but are now collected by the Counties.

$7.6 million. The modest gain was due to the drop in shipments to Italy, Switzerland, and Australia. The industry made up for this by increasing shipments to the Mainland and Japan. The prospects for 1986 appear much better, particularly due to the weakness of the U.S. dollar. Preliminary data for anthurium outshipments show a 14-percent increase from 1.6 to 1.8 million dozens in 1986.

Coffee

Coffee is developing into an increasingly important export crop, with production expected to increase as acreage expands over the next several years. The 1986 crop totaled 1.9 million pounds. Coffee harvest begins in September and continues through the early months of the following year. Sales value of the parchment (seed processed and ready for roasting) amounted to $5.2 million in 1986, slightly below the returns for the previous year, due to lower yields caused by dry weather.

Production for 1987 is forecasted at 2.9 million pounds, which represents a 57-percent increase over 1986. At a price estimated at $3 a pound, the farm value of the 1987 harvest would amount to $8.7 million, a hefty 68-percent increase over 1986. Given the high value of Kona coffee, and its market acceptance as a gourmet product, the prospects are good for increases in production and acreage in the years ahead.

Livestock

Except for the cattle industry, the livestock sector posted strong improvement in 1986 after a flat 1985. Milk production increased a strong 10-percent, which resulted in an 8-percent rise in value of sales from $28.3 to $30.7 million in 1986. Hog growers experienced a 5-percent increase in production from 6.3 to 6.5 million pounds in 1986 and a 1 percent increase in average prices, which resulted in a 5-percent increase in revenues from commercially slaughtered hogs from $6.5 to $6.8 million in 1986. Egg production also increased in output, prices, and revenues. The number of eggs produced increased by 3 percent to 227 million eggs in 1986. At the same time, average prices increased by 4 percent to 78.3 cents a dozen in 1986. That resulted in a 7-percent increase in the value of sales from $13.9 to $14.8 million in 1986. The only industry remaining static in 1986 was the cattle industry. Beef production, in terms of the volume of dressed weight of commercially slaughtered beef, declined by 1 percent from 33.5 to 33.0 million pounds, while prices declined slightly from 83.5 cents a pound to 81.5 cents a pound in 1986.

TRADE AND SERVICES

The banner performance of the visitor industry in 1986 set the stage for strong growth in Hawaii's trade and service industries. In 1986, business receipts from trade and services came to $22.2 billion and represented an increase of 6 percent over the $20.9 billion generated in 1985. Income earned by workers in the trade and service industries also grew by 6 percent from $4.4 to $4.6 billion in 1986. Job growth in these industries was also strong, climbing by 4 percent from 223,400 to 231,300 jobs in 1986. The significance of the trade and service industries to the Hawaiian economy becomes more evident when it is seen that these industries generate 84 percent of the total business revenues of the state, 40 percent of the total employment income in the state, and 48 percent of all the jobs in the state. Given the expectation of continued growth in the visitor industry for 1987, growth in the trade and service sectors should continue, although some moderation in growth rates should be expected given the projected slowdown in tourism growth. Trade and services, however, will continue to be the strongest generators of revenues, income and jobs for the Hawaiian economy in the year ahead.

TRANSPORTATION, COMMUNICATIONS, AND UTILITIES

The transportation, communications, and utilities sector of the economy recorded a modest 1-percent increase in employment income from $901 to $913 million in 1986, based on third-quarter averages. Measured in terms of job growth, transportation and utilities did much better than communications. The strong performance of the tourism industry stimulated an 8-percent increase in transportation jobs to 24,500 jobs. Communication jobs were down by 4 percent to 7,100 jobs, but utilities jobs rose by 4 percent to 2,500 jobs. These patterns were also reflected in the fact that the volume of electricity generated statewide saw a strong increase of 6 percent, while telephone lines put into service grew at a moderate 3-percent rate in 1986. Sales of gas for household consumption, however, remained flat during the year.

DIVERSIFIED MANUFACTURING

Diversified manufacturing, which includes the garment industry, construction materials, paper, machinery and equipment, chemical and petroleum refining, furniture, and other manufacturers, saw healthy growth in 1986. Business revenues to the sector, as a whole, saw a strong 5-percent increase from $538 to $565 million in 1986. Income grew by a strong 6 percent, as did jobs, which grew by 4 percent to 16,600 jobs in 1986. The strongest growth was in those industries related to tourism. Apparel and textiles saw an over-the-year job growth of 10 percent to 3,400 jobs. This contributed to an overall job growth in non-durable goods of 2 percent, to 13,100 jobs. Durable goods manufacturing jobs increased by 11 percent to 3,500 jobs in 1986.

GOVERNMENT

Civilian government makes up a large part of the state economy. In 1986, the three levels of government employed 73,500 persons, 15 percent of total jobs in the state. This group's earnings for 1986 were $2.2 billion, based on a nine-month average, and grew by 3 percent over 1985. Federal civilian jobs totaled 11,800, exactly the same as in 1985, but income, based on a nine-month average, was up by 1 percent to $977 million. State government jobs increased by 2 percent to 48,600 jobs, but county jobs declined by 3 percent to 13,200 jobs. State and county income, based on a nine-month average, grew by 5 percent to $1.2 billion. Prospects for 1987 appear to be modest at best, with the Federal government trying to hold the line on employment as a result of federal budget deficit reduction. State and county governments will also be likely to feel the pressure of cutbacks in federal spending. However, much will also depend on changing budgetary priorities, particularly in view of the new state government administration.

CONCLUSION

The Hawaiian economy experienced a year of exceptionally strong and balanced growth in 1986. The only exception was the military, and those sectors of the civilian government affected by federal budget policies. Given the outlook for federal deficit-reduction measures, the chances for an improvement in these sectors do not appear bright. The other major sectors, however, performed well, and can be expected to show continuing strong growth in 1987. Continuing moderate, but stable growth in the national economy and stability in interest rates, tempered by the effects of tax reform, should generate growth in Hawaii's two leading industries, tourism and construction. In turn, the strength in tourism will stimulate growth in trades, services, transportation, and non-durable goods manufacturing, while Hawaii's agricultural industries continue to show consolidation and expansion.

Aggregate economic indexes are expected to show healthy increases for 1987. Gross State Product, which grew by 5 percent in 1986 to $17.6 billion, is expected to increase by another 5 percent to $18.5 billion in 1987. Total personal income is expected to grow by 5 percent to $16.1 billion, while the Honolulu Consumer Price Index is expected to increase by 3 percent, over the 2 percent experienced in 1986. The increase in inflation will mean that real growth in Hawaii's economy will slow slightly from 3 percent in 1986 to 2 percent in 1987. Likewise, growth in total personal income will also slow down from 4 percent in 1986 to 2 percent in 1987. Thus, the overall outlook for Hawaii's economy in 1987 is for continuing, although slightly slower, aggregate economic expansion, with continuing growth in personal income, and a moderate increase in inflation.

RESEARCH DEPARTMENT
MARCH/APRIL 1987

FIRST HAWAIIAN BANK
Member FDIC
Established 1858